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SUBJECT: Initial FTA Success Stories - The First 90 Days

SUMMARY

¶1. Summary: As expected, increased foreign direct investment has led FTA successes in the early days. Yet anecdotal evidence shows U.S. and Moroccan exporters are making use of the FTA's market access provisions to explore new market opportunities. U.S. FTA-related technical assistance has borne fruit: MEPI and USAID programs are helping Moroccan businesses recognize and seize the FTA's benefits. End Summary.

¶2. The success of the FTA in attracting foreign direct investment and in "marketing Morocco" had become apparent even before ratification and implementation of the accord. Now, 90 days into implementation, we are beginning to see signs of expanded bilateral trade. U.S. FTA-related technical assistance, especially MEPI-funded FTA assistance has produced concrete gains for Moroccan exporters, particularly for SMEs.

Foreign Direct Investment

¶3. As expected, the first, and most impressive successes linked to the FTA are increased foreign direct investment in Morocco. The FTA's investment provisions plus generous market access (particularly for textiles and garments) make Morocco an attractive platform for export to the United States and to the European Union. Even before the conclusion of negotiations in 2004, citing the FTA's textile market access, Group Legler, an Italian concern, announced a \$66 million investment. It consummated the deal in March ¶2006. Fruit of the Loom decided to move its Northern Ireland operations to Morocco, expanding its operations in the kingdom with a \$150 million investment. Settavex, the Moroccan subsidiary of a Spanish garment producer has committed an additional \$7.2 million to expand its vertically integrated denim garment production facility in Settat, southeast of Casablanca. Hong Kong-based SML and Arrow Shirts have also indicated they will invest in Morocco soon.

¶4. There have been significant new foreign investments outside the textiles and garment sector as well. International Paper purchased a local packaging firm for \$120 million in 2005. Electronic component maker Minco will

invest one to four million dollars over the next few years for their facility that makes sensors and flexible circuits for export. Dell opened a telephonic service center in 2003. Its 1000 employees (over half women) service the francophone European market. In addition, citing FTA IPR protections and a positive business climate bolstered by the FTA, IT companies such as UAE's Tech Access and Antelop Computer have established a Moroccan presence. In 2004, a group of Moroccan expatriates returned to Casablanca to open an Apple Computer showroom (called Univers Digital), noting the FTA drew them back to Morocco.

U.S. Exports

15. In the first weeks following entry into force of the FTA, post's commercial and agricultural sections have noted an increase in potential U.S. export deals. While many remain anecdotal and lack specific amounts to date, we are encouraged by the success of U.S. apple exporters during their February 2006 visit to Casablanca. FCS has fielded inquiries from Moroccan producers seeking U.S. inputs, such as an artisanal iron products firm searching for U.S. iron suppliers. The FTA enabled U.S. sorghum exporters to send 25 thousand metric tons, worth four million dollars, to Morocco, the first shipment in six years.

U.S. Technical Assistance and Moroccan Exports

16. Moroccan textile and garment exporters have begun negotiating deals with U.S. design houses, distributors and retailers. The largest deal to date by a Moroccan firm is SOMITEX's \$61 thousand January 2006 contract to provide baby and children's clothing to the U.S. market. Petit Poussin has two firm orders (\$25 thousand and \$15 thousand) for children's wear. Modatric will export 3000 units of knitwear worth \$25 thousand. Benitex has signed a \$ 15 thousand deal for thermal underwear. All these firms have benefitted from the four-year MEPI-funded and USAID-Administered IESC Morocco Fast Track Trade program that assists Moroccan firms trying to take advantage of the benefits of the FTA.

17. IESC Morocco Fast Track Trade Program has also helped companies outside the textile and garment sector. IESC's earliest major success story was in March 2004. Nouvelle Manufacture de Cuir signed an \$88.5 thousand contract to provide luxury leather display cases to well-known U.S. jewelry stores. IESC's greatest success that exploited new market access was frozen fruit and vegetable exporter Noble Delice's \$2.6 million contract (negotiated at the Fancy Foods Show) for 100-120 containers of its products. Other IESC clients include small artisanal exporters: Manar Marbre that exported eight thousand dollars worth of marble sinks; Arte Palma that negotiated a contract for \$15 thousand in palm leaf baskets; and Louizida, a producer of high quality argan oil-based cosmetics that secured a \$14 thousand export contract.

18. Other MEPI implementers have contributed to the increased interest and ability of Moroccan exports to enter the U.S. market. The Commerce Department's Commercial Law Development Program (CLDP) has provided MEPI-funded standards training in five separate sectors, helping Moroccan businesses understand U.S. rules and regulations. A \$500 thousand MEPI-funded Aid to Artisans program has also begun preparing Moroccan artisans to penetrate the U.S. market. These exports, particularly in the SME sector, will help fuel vital job creation and promote entrepreneurialism in Morocco. USAID has recently launched its five year New Business Opportunities Program, a strategy that will support and compliment these other technical assistance efforts to help Moroccans realize the promise of the FTA.

Comment:

19. Comment: Over the next several months and years, we expect to see increased levels of interest by both Moroccan and U.S. exporters. Foreign direct investment will remain an important fuel for economic growth and employment creation. The FTA forms a key piece of the investment puzzle by providing investor assurances, market access for goods and services, liberalization in the financial sector and telecommunications, requiring new transparency and enforcement of property rights, including intellectual property rights. These combine to improve the business climate and set Morocco apart from its neighbors. By adhering to its FTA obligations Morocco will go a long way to furthering its status as a member of the global trading community. Our FTA outreach and the new possibilities the agreement provides will help the Moroccan private sector diversify away from its traditional bias toward and dependence on the European market for investment, exports and inputs. Mission Morocco's FTA-related outreach will continue apace, leveraging practical private sector experiences and expertise with diplomatic tools to drive home the message that the FTA is already a success.